

NORTHERN WARREN FIRE AND  
EMERGENCY RESPONSE AGENCY

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2018

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NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>
Skip Phillips	President
Mark Fargo	Vice President
Greg Hoyt	Director
Barry McKibben	Director
Tom McCrory	Director
Jim Jackovich	Director
Edee Brunia	Director
Mya Solem	Secretary/Treasurer

Northern Warren Fire and Emergency Response Agency



# FALLER, KINCHELOE & CO, PLC

## Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Northern Warren Fire and Emergency Response Agency:

#### Report on the Financial Statement

We have audited the accompanying financial statement of the Northern Warren Fire and Emergency Response Agency, Norwalk, Iowa, (Agency) as of and for the year ended June 30, 2018, and the related Notes to Financial Statement, which collectively comprise the Agency's financial statement listed in the table of contents.

#### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on this financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

#### *Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit*

The financial statement referred to above does not include financial data for the Agency's legally separate component unit. Accounting principles applicable to the cash basis of accounting require financial data for the component unit to be reported with the financial data of the Agency's primary government unless the Agency also

issues financial statements for the financial reporting entity that include the amount. The Agency has not issued such reporting entity financial statements. The amounts by which this department affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component unit have not been determined.

#### *Adverse Opinion on Aggregate Discretely Presented Component Unit*

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statement referred to above does not present fairly the financial position of the aggregate discretely presented component unit of the Agency as of June 30, 2018, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

#### *Unmodified Opinions*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective cash basis financial position of the Agency as of June 30, 2018, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

#### Basis of Accounting

As discussed in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

#### Other Matters

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the Agency's financial statement. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement taken as a whole.

The other information, Management's Discussion and Analysis on pages 7 through 9 has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

  
Faller, Kincheloe & Co., PLC

June 18, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Northern Warren Fire and Emergency Response Agency (Agency) provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

### 2018 FINANCIAL HIGHLIGHTS

Receipts of the Agency totaled \$217,725, which represents a decrease of 15% from fiscal year 2017 to fiscal year 2018.

Disbursements totaled \$247,135, which represents an increase of 7% from fiscal year 2017 to fiscal year 2018.

The Agency's total cash basis net assets decreased 13%, or \$29,410 from June 30, 2017 to June 30, 2018.

### USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Agency's financial statement. The annual report consists of a financial statement and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Supplementary Information provides detailed information about the Agency's indebtedness.

## FINANCIAL ANALYSIS OF THE AGENCY

### *Statement of Cash Receipts, Disbursements and Changes in Cash Balance*

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the Agency's cash balances at year end. Over time, readers of the financial statement are able to determine the Agency's financial position by analyzing the increase and decrease in the cash balance.

The Agency provides fire protection and emergency medical services to the citizens of Bloomfield Township, Boone Township, Greenfield Township, and Greenfield Benefited Fire District. Receipts include township and benefited fire contributions, ambulance fees, rental of facilities, refunds, donations, intergovernmental, sale of equipment and miscellaneous fees. Disbursements include operating, debt service, and capital outlay. A summary of cash receipts, disbursements and changes in cash balances for the years ended June 30, 2018 and June 30, 2017 is presented below:

Changes in Cash Balances		
	Year ended June 30,	
	2018	2017
<b>Receipts:</b>		
Township contributions	\$ 96,290	91,951
Benefited fire contributions	15,000	26,000
Ambulance fee	32,672	29,111
Rental of facilities	66,221	66,702
Interest income	181	441
Refunds	406	1,392
Donations	1,275	40,160
Sale of equipment	1,500	-
Miscellaneous	4,180	10
Total receipts	217,725	255,767
<b>Disbursements:</b>		
Operating	110,043	117,333
Debt service	53,753	53,753
Capital outlay	83,339	59,917
Total disbursements	247,135	231,003
Net change in cash balance	(29,410)	24,764
Cash balance beginning of year	217,948	193,184
Cash balance end of year	\$ 188,538	217,948
<b>Cash Basis Fund Balance:</b>		
Unrestricted	\$ 188,538	217,948
Total cash basis fund balance	\$ 188,538	217,948

The Agency's unrestricted cash balance is available for use in the routine operations of the Agency and for capital improvements of the station and equipment.

## DEBT ADMINISTRATION

At June 30, 2018, the Agency had \$423,826 in a building loan outstanding, compared to \$458,235 last year. The decrease in debt is the result of the scheduled pay off of the existing debt.

In addition, the Agency entered into a lease-purchase agreement, of which \$6,566 is owed at June 30, 2018.

## **ECONOMIC FACTORS**

The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities and equipment require constant maintenance and upkeep and need to be replaced at some point in time.

Property tax rollback and annexation of land by the City of Des Moines, City of West Des Moines or the City of Norwalk may decrease the amount of funds available to the Agency.

New training and safety standards will increase the cost of training for the Agency.

The Agency will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional information, contact Skip Phillips, Board President, 2300 R63 Hwy, Norwalk, Iowa 50211.

## Financial Statement

## NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

Exhibit A

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BALANCES

As of and for the year ended June 30, 2018

Operating receipts:	
Township contributions	\$ 96,290
Benefited fire contributions	15,000
Ambulance fees	32,672
Miscellaneous	4,180
Total operating receipts	<u>148,142</u>
Operating disbursements:	
Buildings and ground repair and maintenance	4,887
Billing service fees	2,025
Continuing education	1,969
Copier costs	1,931
Electric	5,611
EMS costs	861
Equipment repair and maintenance	2,552
Fire budget costs	175
Fuel and oil	4,817
Grant writing costs	1,000
Grounds upkeep	1,195
Inspections	4,451
Insurance	23,997
Medical supplies	8,285
Miscellaneous	8,794
Office	528
Payroll related costs	19,788
Supplies	1,480
Telephone	4,226
Tiering	600
Truck repair and maintenance	7,422
Uniforms and repair	2,855
Water	594
Total operating disbursements	<u>110,043</u>
Excess of operating receipts over operating disbursements	<u>38,099</u>
Non-operating receipts (disbursements):	
Rental of facilities	66,221
Interest income	181
Refunds	406
Donations	1,275
Sale of equipment	1,500
Debt service	(53,753)
Capital outlay	(83,339)
Net non-operating receipts (disbursements)	<u>(67,509)</u>
Change in cash balances	(29,410)
Cash balances beginning of year	<u>217,948</u>
Cash balances end of year	<u>\$ 188,538</u>
<b>Cash Basis Fund Balances</b>	
Unrestricted	<u>\$ 188,538</u>

See notes to financial statement.

# NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

## NOTES TO FINANCIAL STATEMENT

June 30, 2018

### (1) Summary of Significant Accounting Policies

The Northern Warren Fire and Emergency Response Agency (Agency) was formed in 2001 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to save life and property from fire and render aid wherever possible in the event of an emergency in the community on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of two representatives from each member, plus one director appointed by the other six directors. The Agency members are Bloomfield Township, Polk County; Greenfield Township, Warren County; and Greenfield Benefited Fire District, Warren County.

#### A. Reporting Entity

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency.

These financial statements present the Agency (the primary government) and exclude the Agency's component unit. The component unit discussed below is not included in the Agency's reporting entity although its operational or financial relationship with the Agency is significant.

#### Excluded Component Unit

The Northern Warren Firefighter's Association was established under Chapter 504 of the Code of Iowa, is legally separate from the Agency, but has the potential to provide specific benefits to the Agency. The purpose of the Northern Warren Firefighter's Association is to support the activities of the Agency.

#### B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

**(2) Cash and Investments**

The Agency's deposits at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, until November 2016, the Agency did not have a depository resolution, and as a result it is unclear if the Agency's deposits were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa from July 1, 2016 to November, 2016. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Loan Payable**

Annual debt service requirements to maturity for the building loan are as follows:

Year Ending June 30,	Building Loan		Total
	Principal	Interest	
2019	\$ 35,116	18,638	53,754
2020	36,751	17,002	53,753
2021	351,959	14,084	366,043
	<u>\$ 423,826</u>	<u>49,724</u>	<u>473,550</u>

Building Loan

On June 16, 2011, the Agency entered into a loan agreement with a local bank to borrow \$630,000 to construct a building. The loan bears interest at a rate of 4.31% and matures on June 16, 2021. The Agency is currently making payments of \$4,479 per month, with a final scheduled payment of \$317,626 due on June 16, 2021. The loan will be repaid with funds obtained by the Agency from the members. The total loan principal balance at June 30, 2018 is \$423,826.

The building loan is secured by a promissory note from the Agency, mortgages, and an assignment of rents to the lender.

**(4) Lease Purchase Agreement**

On August 4, 2016, the Agency entered into a lease-purchase agreement to lease ambulance equipment. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2018:

Year Ending June 30,	Amount
2019	\$ 6,566
Total minimum lease payments	6,566
Less amount representing interest	-
Present value of net minimum lease payments	<u>\$ 6,566</u>

Payments under this lease-purchase agreement totaled \$6,566 during the year ended June 30, 2018.

**(5) Operating Leases**

The Agency entered into a lease on February 24, 2017 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on March 18, 2021. Payments made under this lease agreement were \$1,888 during the year ended June 30, 2018.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2018:

Year Ended June 30,	Amount
2019	\$ 1,940
2020	1,940
2021	<u>1,455</u>
Total	<u>\$ 5,335</u>

**(6) Lease Agreements**

The Agency is currently leasing antenna space on its tower to United States Cellular (tenant) for \$1,023 per month. The Agency received \$12,017 from this lease during the year ended June 30, 2018. The Agency is scheduled to receive \$1,023 per month from this lease until November 2012. Unless the tenant decides to terminate the lease, the Agency has to continue to lease the antenna space to the tenant until fiscal year 2022.

The Agency is currently leasing antenna space on its tower to New Cingular Wireless PCS (tenant) for \$992 per month. The Agency received \$10,911 from this lease during the year ended June 30, 2018. The Agency is scheduled to receive \$992 per month from this lease until October, 2020, with (2) additional five year renewal options. At the next renewal term, the base rent for this lease will be increased by 15% over the previous year's base rent. Unless the tenant decides to terminate the lease, the Agency has to continue to lease the antenna space to the tenant until fiscal year 2030.

The Agency is currently leasing antenna space on its tower to Verizon Wireless (tenant) for \$1,066 per month. The Agency received \$12,600 from this lease during the year ended June 30, 2018. The Agency is scheduled to receive a 3% increase in lease fees each year. The agreement also provides for (2) additional five year renewal options. Unless the tenant decides to terminate the lease, the Agency has to continue to lease the antenna space to the tenant until fiscal year 2030.

The Agency is currently leasing space in its station to Warren County. The Agency received \$12,543 from this lease during the year ended June 30, 2018. The Agency is scheduled to receive lease payments from Warren County until February 2029. The lease payments from Warren County consist of \$625 per month plus interest on the remaining balance of future lease payments until February 2029.

The Agency is currently leasing space in its old station to All Seasons HVAC. The Agency received \$18,150 from this lease during the year ended June 30, 2018. This lease agreement appears to be on a month to month basis.

**(7) Contract**

The Agency has a contract with EMS Billing Services, Inc. to provide billing services. This contract appears to be cancellable by either party with a 60 day written notice.

**(8) Risk Management**

The Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Subsequent Events**

The Agency has evaluated all subsequent events through June 18, 2021, the date the financial statement was available to be issued.

On March 10, 2020 the World Health Organization declared the coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Agency operates. While it is unknown how long these conditions will last and what the complete financial effect will be on the Agency, to date, the Agency is experiencing disruption in daily activities, but making appropriate adjustments to conduct business-related activities. An estimate of the financial effect on the Agency's financial statements at June 30, 2018 cannot be determined at this time.

## Supplementary Information

## NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

Schedule 1

## SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2018

Obligation	Date of Issue	Interest Rate	Amount Originally Issued
Building Loan	6-16-11	4.31%	\$ 630,000

  

Date of Issue	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
6-16-11	\$ 458,235	-	34,409	423,826	19,344	-

See accompanying independent auditor's report.



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of the  
Northern Warren Fire and Emergency Response Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statement of the Northern Warren Fire and Emergency Response Agency, Norwalk, Iowa (Agency), as of and for the year ended June 30, 2018, and the related Notes to Financial Statement, which collectively comprise the Agency's financial statement, and have issued our report thereon dated June 18, 2021. Our report expressed an unmodified opinion on the financial statement of the Agency, which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component unit due to the omission of the Northern Warren Firefighter's Association.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (B), (C) and (D) to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Agency's Responses to the Findings

The Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

June 18, 2021

NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

SCHEDULE OF FINDINGS

Year ended June 30, 2018

**Findings Related to the Financial Statement:**

**INTERNAL CONTROL DEFICIENCIES:**

**(A) Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Northern Warren Fire and Emergency Response Agency (Agency) financial statement.

Condition – Generally, one or two individuals have control over each of the following areas for the Agency:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of Agency assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Payroll – recordkeeping, preparation and distribution.

Cause – The Agency has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Agency's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board members. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The Agency will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

**(B) Preparation of Financial Statement**

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statement and accompanying notes to the financial statement by internal personnel of the entity.

NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

SCHEDULE OF FINDINGS

Year ended June 30, 2018

Condition - As auditors, we were requested to draft the financial statement and accompanying notes to the financial statement. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statement and accompanying notes to the financial statement is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Agency. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that Agency officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statement and accompanying notes to the financial statement internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

(C) Reconciliation of Ambulance Billings, Collections and Delinquent Accounts and Collection Policies

Criteria - An effective internal control system provides for internal controls related to reconciling ambulance billings, collections and delinquent accounts to ensure proper recording of ambulance receipts, the propriety of adjustments and write-offs and the propriety of delinquent accounts. In addition, an effective internal control system should have a written collection policy.

Condition - Although the Agency's ambulance software generates monthly reports of ambulance billings, collections and delinquent accounts, the amounts are not reconciled from month to month. In addition, the Agency has no written collection policies.

Cause - Policies have not been established and procedures have not been implemented to ensure monthly ambulance billings, collections and delinquent accounts are reconciled each month to the Agency's financial and ambulance billing records, and that written collection policies exist.

Effect - Inadequate reconciliations and the lack of written collection policies can result in unrecorded or misstated ambulance receipts and improper or unauthorized adjustments and write-offs.

Recommendation - The Agency should ensure ambulance billings, collections and delinquent accounts are reconciled on a monthly basis, and that all amounts on the reconciliation are properly supported. In addition, the Agency should develop a written collection policy.

Response - The Agency will ensure ambulance reconciliations are properly supported and reviewed, and we will develop a written collection policy.

Conclusion - Response acknowledged.

NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

SCHEDULE OF FINDINGS

Year ended June 30, 2018

(D) Accounting Procedures

Criteria - An effective internal control system provides for internal controls related to ensuring proper accounting for all Agency monies. Proper accounting includes records that include an initial record of receipts of all funds received by the Agency.

Condition – An immediate listing of receipts is not prepared by the Agency.

Cause – Procedures have not been designed and implemented to ensure an immediate record of receipts is prepared by the Agency.

Effect – Lack of policies and procedures requiring an immediate listing of receipts could result in the increased opportunity for misappropriation.

Recommendation – The Agency should implement procedures to ensure immediate record of receipts are prepared for all monies received.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

NORTHERN WARREN FIRE AND EMERGENCY RESPONSE AGENCY

SCHEDULE OF FINDINGS

Year ended June 30, 2018

**Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Northern Warren Fire and Emergency Response Agency (Agency) money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.

Instances were noted where the Agency minutes were either not published or timely published. Chapter 28E of the Code of Iowa requires the minutes, including a schedule of bills allowed, be submitted to the newspaper within twenty days following the adjournment of the meeting.

Recommendation – The Agency implement procedures to ensure compliance with the Code of Iowa in relation to publication of Agency minutes.

Response – We will implement this recommendation.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Agency's investment policy were noted, except as follows.

In November, 2016, a resolution naming official depositories was adopted by the Agency as required by Chapter 12C of the Code of Iowa. However, the current depository resolution refers to an outdated Section of the Code of Iowa.

Recommendation – The Agency should ensure the depository resolution refers to the current Section of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (5) Cash Payments – The Agency paid an individual \$1,000 in cash for providing professional services to the Agency. In addition, this individual did not receive a 1099-Misc. form from the City as required by the Internal Revenue Service (IRS).

Recommendation – The City should cease paying cash to vendors who provide professional services. For better control purposes, all payments to vendors should be paid by check. In addition, the City should issue 1099-Misc. forms to all applicable vendors as required by the IRS.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.